Saskatchewan Heritage Fund

ANNUAL REPORT
1985-86

88-02466/

Letter of Transmittal

October, 1987

To His Honour,
The Honourable F.W. Johnson,
Lieutenant Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the eighth Annual Report and Financial Statements of the Saskatchewan Heritage Fund, for the year ended March 31, 1986.

Respectfully yours,

J. Gary Lane, Q.C.
Minister of Finance

Introduction

The Saskatchewan Heritage Fund was established in 1978 under the authority of The Heritage Fund (Saskatchewan) Act.

Objectives

The objectives of the Heritage Fund are as follows:

1. To provide Saskatchewan citizens with a clear statement of the management of their non-renewable resource revenues.

2. To provide the Legislative Assembly of Saskatchewan with greater control over the use of these non-renewable resource revenues.

3. To provide a financial mechanism through which a portion of these revenues can be invested in assets and programs for the future benefit of Saskatchewan citizens.

4. To strengthen the budgetary position of the Consolidated Fund by assisting in the financing of the ongoing programs and services provided by government.

How the Heritage Fund Works

All non-renewable resource revenues of the Province are deposited in the Heritage Fund. Also credited to the Fund, as revenues, are interest income and dividend earnings from the Fund's investments, plus any capital gains on the disposal of these investments.

Revenues of the Heritage Fund can be applied as budgetary expenditures, which are outflows of the moneys taken into the Fund, or retained as assets.

The budgetary expenditures of the Heritage Fund may include:

1. The Dividend to the Consolidated Fund — to help finance expenditures of the Consolidated Fund.

2. Incentives for oil and gas exploration and development, and for conservation projects.

3. Assistance to farmers.

4. Assistance for research and development projects.

5. Provincial Development Expenditures - to help finance capital projects.

The surplus that results from an excess of budgetary revenues over budgetary expenditures remains within the Heritage Fund, increasing its total assets. These assets can take a number of forms:

1. Current assets, comprising:

(a) the cash balance in the Heritage Fund's bank account,

(b) marketable securities, including debentures and other marketable instruments, and

(c) the amount "Due from the Consolidated Fund", referring to all monies held temporarily on non-interest bearing deposit with the Consolidated Fund.

2. Loans to Crown corporations or other entities.

3. Equity investments in Crown corporations or other entities.

Divisions of the Heritage Fund

The Heritage Fund is comprised of five divisions. Three of these divisions, the Resources Division, the Energy Security Division and the Environmental Protection Division, were established in 1980. The two newest divisions, the Agricultural Division and the Research and Development Division, were created effective April 1, 1983 by The Heritage Fund (Saskatchewan) Amendment Act, 1983.

The responsibilities of each division are as follows:

1. Resources Division

The Resources Division receives all non-renewable resource revenues of the Fund that are not specifically allocated to the other divisions. Some of these revenues may be transferred to the other divisions for specific purposes.

The Resources Division finances the Consolidated Fund Dividend and Provincial Development Expenditures. This division can also undertake other expenditures and other loans and equity investments permitted under the Act that are not undertaken through the other divisions of the Heritage Fund.

2. Energy Security Division

The objective of the Energy Security Division is to help ensure that Saskatchewan consumers have adequate energy supplies in the years ahead. This division may make expenditures, loans and equity investments to encourage energy conservation and the exploration for and development of the energy resources of the province.

3. Environmental Protection Division

The Environmental Protection Division was created to provide a contingency fund for dealing with any unforseen environmental problems that could arise from the mining and milling of uranium in Saskatchewan.

The contingency fund, known as the Environmental Protection Reserve, is comprised of cash and short-term investments. The income and other gains from these investments is appied to, and therefore serves to increase, the assets of the Division.

4. Agricultural Division

The purpose of the Agricultural Division is to encourage long-term economic growth and stability in the agricultural sector. The initial task of the Agricultural Division was to assist in funding the operations of the Farm Purchase Program. This program provides interest rebates to

farmers for commercial mortgage loans undertaken to purchase farm land.

5. Research and Development Division

The Research and Development Division was established to support research and development activities that will ensure that the latest technologies are adopted by Saskatchewan firms and that new, high technology industries are attracted to the province.

The Department of Science & Technology may make loans, equity investments and grants or other expenditures from the Research and Development Division for this purpose.

The Research and Development Division was funded initially through the transfer of $51.2 million in cash and investments from the Resources Division of the Heritage Fund.

Legislative Control

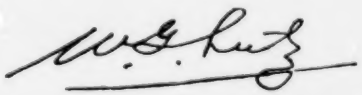
The activities of the Heritage Fund are directly controlled by the Legislative Assembly through its annual review and approval of the Fund's expenditures and long-term investments.

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Heritage Fund as at March 31, 1986 and the statements of equity, revenue and expenditure, loan, investment and deposit activity, changes in financial position and cumulative provincial development expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Heritage Fund as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan
October 10, 1986

W. G. Lutz, F.C.A.
Provincial Auditor

Statement of Financial Position

March 31, 1986

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1986 Total	1985 Total
Assets							
Schedule							
1 Cash and Short-Term Investments *(Note 1d)*	$ —	$17,777	$6,495	$ —	$21,733	$ 46,005	$ 46,294
2 Short-Term Loans to Crown Entities *(Note 1e)*	—	21,200	—	—	18,200	39,400	31,176
Amount Receivable From the Consolidated Fund *(Note 1f)*	353,092	86,328	—	4,455	6,967	450,842	299,222
3 Loans to Crown Entities *(Note 1g)*	55,049	2,448	—	—	—	57,497	77,198
Loans and Sales Agreements *(Note 1h)*	—	—	—	6,272	—	6,272	6,884
4 Other Loans *(Note 1i)*	—	6,100	—	—	—	6,100	2,938
5 Investments in Crown Entities *(Note 1j)*	747,230	—	—	—	—	747,230	838,730
Investment in Agricultural Land and Related Assets *(Note 1k)*	—	—	—	159,307	—	159,307	163,881
6 Other Investments *(Note 1l)*	—	735	—	—	8,398	9,133	10,901
Total Assets	$1,155,371	$134,588	$6,495	$170,034	$55,298	$1,521,786	$1,477,224
Liabilities and Equity							
Loan from the Consolidated Fund *(Note 1m)*	$ —	$ —	$ —	$184,436	$ —	$ 184,436	$ 184,436
	—	—	—	184,436	—	184,436	184,436
Equity (Note 2a)	1,155,371	134,588	6,495	(14,402)	55,298	1,337,350	1,292,788
Total Liabilities and Equity	$1,155,371	$134,588	$6,495	$170,034	$55,298	$1,521,786	$1,477,224

(see accompanying notes)

Statement of Equity

For the Year Ended March 31, 1986

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1986 Total	1985 Total
Unallocated Equity, Beginning of Year	$1,108,985	$ 97,621	$ —	$ (8,844)	$53,558	$1,251,320	$1,200,519
Excess of Revenue Over Expenditure (Expenditure over Revenue), Net of Interdivisional Transfers	47,687	1,466	528	(5,271)	1,740	46,150	57,214
Loss on Sale of Land	—	—	—	(287)	—	(287)	(45)
Write-down of Short-Term Investment	—	—	—	—	—	—	(1,221)
Write-down of Loans to Crown Entities	(1,301)	—	—	—	—	(1,301)	—
Transfer to Reserves	—	(3,476)	(528)	—	—	(4,004)	(5,147)
Unallocated Equity, End of Year	$1,155,371	$ 95,611	$ —	$ (14,402)	$55,298	$1,291,878	$1,251,320
Reserves, Beginning of Year	—	35,501	5,967	—	—	41,468	36,321
Transfers to Reserves	—	3,476	528	—	—	4,004	5,147
Reserves, End of Year	—	38,977	6,495	—	—	45,472	41,468
Total Equity, End of Year	$1,155,371	$134,588	$6,495	$ (14,402)	$55,298	$1,337,350	$1,292,788

(see accompanying notes)

Statement of Revenue and Expenditure

For the Year Ended March 31, 1986

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1986 Total	1985 Total
Revenue							
Non-Renewable Resource Revenue							
Coal	$ 10,688	$ —	$ —	$ —	$ —	$ 10,688	$ 17,438
Natural Gas	13,332	—	—	—	—	13,332	9,652
Oil	638,661	—	—	—	—	638,661	645,625
Crude Oil Export Charge	35,276	—	—	—	—	35,276	94,732
Potash	32,592	—	—	—	—	32,592	71,177
Sodium Sulphate	1,190	—	—	—	—	1,190	1,393
Uranium	36,269	—	—	—	—	36,269	25,169
Other Non-Renewable Resources	978	—	—	—	—	978	435
Total Non-Renewable Resource Revenue	768,986	—	—	—	—	768,986	865,621
Agricultural Lands Revenue							
Lands Sales	—	—	—	9,795	—	9,795	8,862
Lease Revenue	—	—	—	10,331	—	10,331	9,053
Interest and Other	—	—	—	926	—	926	702
Total Agricultural Lands Revenue	—	—	—	21,052	—	21,052	18,617
Investment Revenue	27,788	3,476	528	373	4,571	36,736	12,955
Other Revenues	—	—	—	1	—	1	152
Total Revenue Before Inter-Divisional Transfers	796,774	3,476	528	21,426	4,571	826,775	897,345
Inter-Divisional Transfers	(19,100)	19,100	—	—	—	—	—
Total Revenue, Net of Inter-Divisional Transfers	$777,674	$22,576	$ 528	$21,426	$4,571	$826,775	$897,345

(see accompanying notes)

Statement of Revenue and Expenditure (Continued)

For the Year Ended March 31, 1986

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1986 Total	1985 Total
Expenditure							
Ordinary							
Fund Dividend to Consolidated Fund *(Note 2b)*	$725,000	$ —	$ —	$ —	$ —	$725,000	$775,000
Compensation Payments for Oil Rights Acquired by the Crown	2,620	—	—	—	—	2,620	2,559
Interest on Refunds of Taxes	12	—	—	—	—	12	49
Grants for Petroleum and Natural Gas Exploration, Conservation, and Development	—	18,264	—	—	—	18,264	21,960
Grants Pursuant to the Canada-Saskatchewan Heavy Oil Agreement	—	232	—	—	—	232	463
Payments for Projects Pursuant to the Canada-Saskatchewan Heavy Oil and Fossil Fuel Research, Development and Demonstration Agreement	—	2,493	—	—	—	2,493	2,987
Payments for Projects Pursuant to the Canada-Saskatchewan Renewable Energy and Energy Conservation Demonstration Agreement	—	—	—	—	—	—	113
Payment for Project Pursuant to the Grasslands Oil and Gas Exploration Agreement	—	—	—	—	—	—	18
Payments Pursuant to the Canada-Saskatchewan Economic and Regional Development Agreement	444	—	—	—	—	444	448

Statement of Revenue and Expenditure (Concluded)

For the Year Ended March 31, 1986

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1986 Total	1985 Total
Expenditure (Concluded)							
Payments for Research and Development	—	—	—	—	2,227	2,227	1,469
Payments of Interest Rebates	—	—	—	17,827	—	17,827	13,284
Payments to Cover Deficiency of Land Bank Lease Fees in Meeting the Interest Costs Owing on Transferred Land Bank Land *(Note 1m)*	—	—	—	8,271	—	8,271	8,183
Payments Under Trust Certificates	231	—	—	—	—	231	187
Research Grants	—	53	—	—	—	53	31
Administrative Expenses of the Canada-Saskatchewan Heavy Oil Agreement, and Alternative Fuel Test Program	—	68	—	—	—	68	60
Grants for Agricultural Lessee's Share of Compensation and Rental Payments for Surface Leases	—	—	—	599	—	599	—
Grants Pursuant to the Canadian Subsidy Agreement on Advanced Technology	—	—	—	—	604	604	—
Total Ordinary Expenditure	728,307	21,110	—	26,697	2,831	778,945	826,811
Capital							
Provincial Development Expenditure	1,680	—	—	—	—	1,680	13,320
Total Capital Expenditure	1,680	—	—	—	—	1,680	13,320
Total Expenditure	$729,987	$21,110	$ —	$26,697	$2,831	$780,625	$840,131
Excess of Revenue Over Expenditure (Expenditure Over Revenue), Net of Interdivisional Transfers	$ 47,687	$ 1,466	$ 528	$ (5,271)	$ 1,740	$ 46,150	$ 57,214

(see accompanying notes)

Statement of Loan, Investment and Deposit Activity

For the Year Ended March 31, 1986

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1986 Total	1985 Total
Receipts							
Loans							
Potash Corporation of Saskatchewan	$ 18,400	$ —	$ —	$ —	$ —	$ 18,400	$ 5,000
Loans and Sale Agreements	—	—	—	837	—	837	621
Saskatchewan Grain Car Corporation	—	—	—	—	—	—	4,984
Investments							
Saskatchewan Oil and Gas Corporation	—	91,500	—	—	—	91,500	—
Agricultural Land and Related Assets: Recovery of Investment	—	—	—	4,647	—	4,647	2,880
Other	—	—	—	—	1,768	1,768	—
Total Receipts	18,400	91,500	—	5,484	1,768	117,152	13,485
Disbursements							
Loans							
Other Loans	—	3,162	—	—	—	3,162	2,938
Investments							
NewGrade Energy Inc.	—	—	—	—	—	—	734
Agricultural Land and Related Assets	—	—	—	585	—	585	577
Deposits							
Conditional Receipts	—	—	—	—	—	—	38
Total Disbursements	—	3,162	—	585	—	3,747	4,287
Excess of Receipts Over Disbursements	$18,400	$88,338	$ —	$4,899	$1,768	$113,405	$ 9,198

(see accompanying notes)

Statement of Changes in Financial Position

For the Year Ended March 31, 1986

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1986 Total	1985 Total
Cash, Short-Term Investments and Loans, and Amount Receivable from the Consolidated Fund, Beginning of Year	$287,005	$ 35,501	$5,967	$4,827	$43,392	$376,692	$311,501
Revenue and Expenditure							
Revenue, Net of Inter-divisional Transfers	777,674	22,576	528	21,426	4,571	826,775	897,345
Expenditure	729,987	21,110	—	26,697	2,831	780,625	840,131
Excess of Revenue Over Expenditure (Expenditure Over Revenue), Net of Interdivisional Transfers	47,687	1,466	528	(5,271)	1,740	46,150	57,214
Loans, Investments and Deposits							
Receipts	18,400	91,500	—	5,484	1,768	117,152	13,485
Disbursements	—	3,162	—	585	—	3,747	4,287
Excess of Receipts Over Disbursements	18,400	88,338	—	4,899	1,768	113,405	9,198
Non-Cash Items							
Write-Down of Short-Term Investment	—	—	—	—	—	—	(1,221)
Increase (Decrease) During the Year	66,087	89,804	528	(372)	3,508	159,555	65,191
Cash, Short-Term Investments and Loans, and Amount Receivable from the Consolidated Fund, End of Year	$353,092	$125,305	$6,495	$ 4,455	$46,900	$536,247	$376,692

(see accompanying notes)

Statement of Cumulative Provincial Development Expenditure

For the Year Ended March 31, 1986

($ Thousands)

	1986		1985	
	Current Year Expenditure	Cumulative Year Expenditure	Current Year Expenditure	Cumulative Year Expenditure
Resource, Economic, and Industrial Development				
Beauval — Pinehouse Development Road	$ —	$ 4,062	$ —	$ 4,062
Buffalo Narrows Causeway	—	2,532	—	2,532
Buffalo Narrows Northern Development Airport	—	2,631	—	2,631
Buffalo Narrows Northern Development Airport — Facilities	—	267	—	267
Cluff Lake Development Road	—	4,813	—	4,813
Forestry Development Roads	—	1,384	—	1,384
Interprovincial Steel and Pipe Corporation Ltd. — Plant Expansion	—	2,803	—	2,803
Key Lake Development Road	—	6,436	—	6,436
La Ronge Aircraft Maintenance Facility	—	2,261	—	2,261
Northern Highway No. 2	—	784	—	784
Northern Highway No. 105	—	548	—	548
Northern Highway No. 106	—	12,586	—	12,586
Northern Highway No. 155	—	5,394	—	5,394
Resource Research Facility — Saskatoon	—	3,684	—	3,684
Total Resource, Economic, and Industrial Development	—	50,185	—	50,185
Health and Education				
Grant to the Saskatchewan Cancer Foundation	—	1,025	—	1,025
Grant to the University Hospital — Capital	—	17,614	—	17,614
Institute of Applied Arts and Sciences — Prince Albert	—	2,071	—	2,071
Provincial Laboratory Building	—	162	—	162
Saskatchewan Rehabilitation Centre	—	741	500	741
Saskatchewan Technical Institute Expansion	—	6,874	—	6,874
Saskatoon Hospitals Construction Program	—	1,231	958	1,231
University of Saskatchewan — Engineering Building Construction	—	27,525	100	27,525
University of Saskatchewan — Geological Sciences Building Construction	—	1,650	—	1,650
University of Saskatchewan — Veterinary College Building Expansion	—	12,540	—	12,540
Total Health and Education	—	71,433	1,558	71,433
Culture and Recreation				
Moose Jaw Wild Animal Park Development	—	2,519	—	2,519
Parks Facilities Development	—	2,402	—	2,402
Parks Facilities Development — Cypress Hills	—	549	417	549
Restoration of Northwest Territorial Government Administration Building	—	688	—	688
Restoration of Saskatchewan House	—	4,487	—	4,487
Saskatchewan Archives Building	—	284	—	284
1979 Western Canada Summer Games Inc. — Athletic Field House Grant	—	1,750	—	1,750
Total Culture and Recreation	—	12,679	417	12,679

Statement of Cumulative Provincial Development Expenditure (Concluded)

For the Year Ended March 31, 1986

($ Thousands)

	1986		1985	
	Current Year Expenditure	Cumulative Year Expenditure	Current Year Expenditure	Cumulative Year Expenditure
Municipal				
Construction of Court Houses — Regina and Saskatoon	$ —	$ 25	$ —	$ 25
Grant to the City of Lloydminster for Water Supply Project	—	9,150	—	9,150
Grants Under the Community Capital Fund Program	1,680	69,106	11,345	67,426
Souris River Valley Project	—	137	—	137
Total Municipal	1,680	78,418	11,345	76,738
Total Provincial Development Expenditure	$ 1,680	$212,715	$13,320	$211,035

(see accompanying notes

Saskatchewan Heritage Fund

Notes to the Financial Statements

For the Year Ended March 31, 1986

1. Significant Accounting Policies

General Policies

1a. Reporting Entity

These financial statements have been prepared for the purpose of disclosing the state of the Saskatchewan Heritage Fund at March 31, 1986 and the results of its financial activities for the year then ended in accordance with the statutory authorities governing its operation.

The Saskatchewan Heritage Fund is a special purpose fund established under *The Heritage Fund (Saskatchewan) Act* to receive all non-renewable resource revenues of the Province, revenues from certain agricultural lands, interest and dividends on loans and investments made by the Fund, and any gains on disposals of investments held by the Fund.

The Fund is comprised of five divisions: The Resources Division, the Energy Security Division, the Environmental Protection Division, the Agricultural Division, and the Research and Development Division. The Agricultural Division and the Research and Development Division were created April 1, 1983 by *The Heritage Fund (Saskatchewan) Amendment Act, 1983*.

1b. Basis of Accounting

The financial statements of the Fund are prepared using a modified cash basis for a fiscal year commencing on April 1 and ending on March 31. Revenues are recorded as received and expenditures are charged to the accounts when payment is made. In addition, revenues received in the 30 days of April in respect of revenue raised up to March 31 of the preceding fiscal year are taken into revenue of the preceding fiscal year, and payments made during the 30 days of April which are for goods and services received in the preceding fiscal year are reported as expenditures of the preceding fiscal year.

1c. Classification of Financial Transactions

In accounting for the financial transactions, a distinction is drawn between those transactions which affect the net debt and those which affect only recorded assets and liabilities. This segregation originates from the net debt concept. The net debt of the Fund is the difference between recorded liabilities minus assets and represents the difference between accumulated revenues and accumulated expenditures. Since revenues and expenditures only affect the net debt, transactions which arise from the financing activities (lending and investing) will affect recorded assets and liabilities. Accordingly, transactions are recorded within two categories in the Fund: Revenue and Expenditure and, Lending and Investing.

- **Revenue and Expenditure**

Revenue and expenditure relate to normal operating activities.

- **Revenue**

Revenue includes revenues raised through taxation and royalties from non-renewable resources, income from investments, lease revenues and accounting gains on the sale of certain agricultural lands.

- **Expenditure**

Expenditure includes payments for goods and services, grants, the acquisition or construction of fixed assets, and Fund dividends paid to the Consolidated Fund.

- **Lending and Investing**

These transactions result from lending and investing functions which include the Fund's lending and investing activity in various Crown Corporations and agencies, other organizations and individuals, and in Agricultural Land and Related Assets acquired for resale.

- **Assets and Liabilities**

In general terms assets of the Fund consist of cash and short-term investments, loans to or investments in crown entities and other organizations and individuals, and investment in Agricultural Land and Related Assets. Capital assets are treated as an expenditure in the year of purchase.

Liabilities consist of a loan from the Consolidated Fund.

Specific Policies

1d. Cash and Short-Term Investments

- **Cash**

Cash recorded is the balance on hand at March 31, adjusted in accordance with the modified cash basis of accounting as described in note 1b.

- **Short-Term Investments**

Short-term investments represent those investments purchased under authority of *The Heritage Fund (Saskatchewan) Act*. These investments consist mainly of chartered bank notes, treasury bills, commercial paper and bonds maturing within one year.

Short-term investments are carried at cost. Any gain (loss) on disposal of short-term investments is recorded as revenue (expenditure).

1e. Short-Term Loans to Crown Entities

These represent interest bearing loans made for a period of less than one year. Short-term loans are valued at cost.

1f. Amount Receivable From the Consolidated Fund

This represents the balance of all cash transactions as held by the Consolidated Fund on behalf of the Fund, except for cash received from interest and dividends which is deposited directly into the Heritage Fund. No interest accrues on this balance.

1g. Loans to Crown Entities

These are loans made for a period of greater than one year to crown corporations, boards and commissions and generally have fixed terms of repayment. With the exception of the Saskatchewan Grain Car Corporation, the loans are all interest bearing.

Loans are valued at cost. In cases where the liabilities of a crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded by an appropriation, the loan carried will be written down. All write-downs are charged directly to equity.

1h. Loans and Sale Agreements

Loans and Sale Agreements represent loans to lessees, and amounts due on Sales Agreements for the sale of Agricultural Land and Related Assets less the unrealized gain in accordance with the accounting policy which provides that gains are included in revenue but are only recorded when cash is received. At March 31, 1986, long-term sales agreements outstanding total $1,681,000. Of this amount, $324,000 reflects the cost of land sold and is included in Loan and Sales Agreements. The balance of $1,357,000 represents the unrealized gain on the sales and will be recorded as cash is received.

1i. Other Loans

Other loans are those made to nongovernment agencies or individuals and are subject to a variety of interest rates and terms of repayment.

Other loans are carried at cost and will be revalued when it becomes evident that they are uncollectible. All write-downs are charged directly to equity.

Interest received from these loans is recorded as revenue.

1j. Investments in Crown Entities

Investments in crown entities represent long-term equity advances which are non-interest bearing and have no fixed terms of repayment.

Investments are valued at original cost. Revaluation of the investment will occur when the liabilities of the crown entity significantly exceed the net realizable value of its assets and the accumulated deficit is not funded by appropriation. Any write-downs reducing the carrying value of the investment are charged directly to equity.

Dividends from the investments are recorded as revenue.

1k. Investment in Agricultural Land and Related Assets

The Heritage Fund (Saskatchewan) Amendment Act, 1983 transferred the assets and liabilities of the former Saskatchewan Land Bank Commission to the Agricultural Division of the Saskatchewan Heritage Fund effective April 1, 1983. Investment in Agricultural Land and Related Assets represents the cost of land and improvements held for resale.

Sales of these lands and improvements are recorded as a recovery of investment in amounts equal to the cost and any gains are recorded as revenue when received. Where the sale involves a long-term sales agreement, the amount equal to the cost of the investment sold is recorded as an asset; any amount due in respect of a gain on the sale is recorded as revenue only upon collection. Any loss on the sale of these lands and improvements is charged directly to equity.

1l. Other Investments

These investments are carried at cost and will be revalued when it becomes evident that there has been a permanent reduction in the value of the investment.

Any write-down of an investment is charged directly to equity.

1m. Loan from the Consolidated Fund

This represents a long-term obligation to the Consolidated Fund in respect of an interest bearing loan previously due from the Saskatchewan Land Bank Commission. Pursuant to provisions of *The Farm Purchase Program Act* the Farm Purchase Program Fund is authorized to receive the lease revenues on the land formerly owned by the Saskatchewan Land Bank Commission and in turn, to pay the interest on the loan from the Consolidated Fund. Accordingly, $19,927,664 was paid by the Farm Purchase Program Fund to the Consolidated Fund in 1985-86 as interest expense on the outstanding loan. Pursuant to provisions of *The Heritage Fund (Saskatchewan) Amendment Act, 1983*, and as provided by appropriation, a payment of $8,270,999 was made from the Saskatchewan Heritage Fund to the Farm Purchase Program Fund to cover the deficiency of the lease fees in meeting the interest costs.

2. Additional Information

2a. Equity

Equity of the Fund consists of two components: unallocated equity and reserve accounts. The reserve accounts were established pursuant to Treasury Board Directive as authorized by section 14 of *The Heritage Fund (Saskatchewan) Act*. Within the Energy Security Division, an Energy Security Reserve has been created for the purpose of funding the future development of energy resources. Within the Environmental Protection Division, an Environmental Protection Reserve has been created

to provide for contingency funding to mitigate unforeseen environmental problems related to uranium milling.

2b. Fund Dividend to the Consolidated Fund

An annual appropriation in the Saskatchewan Heritage Fund provides for fund dividends to the Consolidated Fund. Payments are made upon the direction of the Minister of Finance.

2c. Overcommitments

The Saskatchewan Heritage Fund uses the modified cash basis of accounting. Under this method, accounts receivable or payable are not recorded.

There is a legislative requirement that no liability shall be incurred which exceeds the unencumbered balance of an appropriation.

At March 31, 1986 an appropriation of the Department of Energy and Mines was overcommitted by an amount of $23,476,717. The overcommitment of an appropriation of the Department of Energy and Mines relates primarily to an indebtedness in an estimated amount of $27,000,000 respecting grants under The Oil and Gas Incentives Regulations 1978. Under The Oil and Gas Incentives Regulations 1978, expenditures on oil and gas exploration and development within the Province may be cost shared by the Provincial Government. Eligibility is conditional upon the production of oil within the Province. At March 31, 1986, such expenditures on oil and gas exploration and development, as approved, when combined with the production of oil as reported, calculates to the indebtedness noted. Such amounts are subject to adjustment upon final approval and payment.

2d. Comparative Information

Certain of the 1985 figures have been reclassified to conform with the current year presentation; however, with regard to expenditures of the prior year, the figures are reported on the same basis as the estimates of the prior year.

Saskatchewan Heritage Fund

Schedule 1

Cash and Short-Term Investments

March 31, 1986

($ Thousands)

	1986	1985
Cash (Overdraft)		
Energy Security Division	$ 41	$ 4
Environmental Protection Division	4	25
Research and Development Division	41	(495)
	86	(466)
Short-Term Investments		
Energy Security Division	17,736	13,497
Environmental Protection Division	6,491	5,942
Research and Development Division	21,692	27,321
	45,919	46,760
	$46,005	$46,294

The market value of the Short-Term Investments at March 31, 1986 is $46,474,000 (March 31, 1985 $46,759,000).

Saskatchewan Heritage Fund

Schedule 2

Short-Term Loans to Crown Entities

March 31, 1986

($ Thousands)

	1986	1985
Energy Security Division		
Crown Investments Corporation of Saskatchewan	$21,200	$ 4,000
Municipal Financing Corporation of Saskatchewan	—	18,000
	21,200	22,000
Research and Development Division		
Crown Investments Corporation of Saskatchewan	4,700	7,000
Municipal Financing Corporation of Saskatchewan	13,500	—
Saskatchewan Government Printing Company	—	2,176
	18,200	9,176
	$39,400	$31,176

Saskatchewan Heritage Fund

Schedule 3

Loans to Crown Entities

March 31, 1986

($ Thousands)

	1986	1985
	Ending Balance	Ending Balance
Resources Division		
Potash Corporation of Saskatchewan	$10,000	$28,400
Saskatchewan Grain Car Corporation	45,049	46,350
	55,049	74,750
Energy Security Division		
Saskatchewan Power Corporation	2,448	2,448
	$57,497	$77,198

Saskatchewan Heritage Fund

Schedule 4

Other Loans

March 31, 1986

	($ Thousands)	
	1986	**1985**
Energy Security Division		
NewGrade Energy Inc.	$6,100	$2,938
	$6,100	$2,938

Saskatchewan Heritage Fund

Schedule 5

Investment in Crown Entities

March 31, 1986

	($ Thousands)	
	1986	**1985**
Resources Division		
Crown Investments Corporation of Saskatchewan	$109,976	$109,976
Potash Corporation of Saskatchewan	418,554	418,554
Saskatchewan Mining Development Corporation	218,700	218,700
	747,230	747,230
Energy Security Division		
Saskatchewan Oil and Gas Corporation	—	91,500
	$747,230	$838,730

Saskatchewan Heritage Fund

Schedule 6

Other Investments

March 31, 1986

	($ Thousands)	
	1986	**1985**
Energy Security Division		
NewGrade Energy Inc.	$ 735	$ 735
Research and Development Division		
Federal Government Bonds	1,434	1,434
Provincial Government Bonds	5,037	5,403
Corporate Bonds	374	1,067
Saskatchewan Municipal Bonds	1,553	2,262
	8,398	10,166
	$9,133	$10,901

The market value of Long-Term Investments in bonds at March 31, 1986 is $8,736,000 (March 31, 1985 $9,670,000).